

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7771

BILL NUMBER: HB 1710

DATE PREPARED: Jan 9, 2001

BILL AMENDED:

SUBJECT: Wayne County Adjusted Gross Income Tax.

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FUNDS AFFECTED: **GENERAL
DEDICATED
FEDERAL**

IMPACT: Local

Summary of Legislation: This bill allows Wayne County to impose the County Adjusted Gross Income Tax (CAGIT) at a rate of up to 1.25%. It provides that CAGIT revenue in Wayne County that is derived from the additional 0.15%, 0.20% or 0.25% tax rate may be used only to pay the costs of constructing, improving, acquiring, renovating, or equipping the county jail and related buildings and parking facilities. It authorizes the county council to pledge the tax revenue from the additional tax rates to pay bonds issued, or leases entered into, for construction, improvement, acquisition, renovation, or equipping the county jail.

It specifies that the term of the bonds (including any refunding bonds) or a lease may not exceed 25 years. It provides that any funds accumulated after the redemption of bonds or the final payment of lease rentals shall be transferred to the county highway fund to be used for construction, resurfacing, restoration, and rehabilitation of county highways, roads, and bridges.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: This bill would require that the revenue from the additional CAGIT rate increase of 0.15%, 0.20% or 0.25% be used to pay the costs of constructing, improving, or renovating Wayne County's jail and related buildings and parking facilities. It would allow Wayne County to impose the additional CAGIT rate only until the later of the following: 1) when the financing on acquisition, improvement, renovation, and equipping of the county jail and related buildings and parking facilities is completed; or 2) when bonds issued or loans obtained to finance the project are paid (Wayne County would then be required to reduce its maximum CAGIT rate to 1%).

Explanation of Local Revenues: Under current Indiana law, counties are allowed to impose CAGIT at a tax rate of up to 1%. This bill would allow Wayne County to impose CAGIT at a tax rate of up to 1.25%. The CY 2001 CAGIT certified distribution at a 1% rate for Wayne County is \$10,002,113. An additional 0.25% CAGIT would equal approximately \$2.5 M in additional revenue for the entire year.

Wayne County would be allowed to adopt the CAGIT rate increase between March 31, 2001 and before September 20, 2001 which would take effect January 1, 2002. If the County Council imposes the increase as described above, Wayne County would not begin receiving revenues until January of 2003. The projected collections for CY 2003 are not available at this time. (However, these amounts are assumed to be approximate to the CY 2001 projected collections.)

Background

Under current Indiana law, a county must adopt an increase in its CAGIT rate by April 1 of a given year. In July of that year, the State Budget Agency will calculate a certified distribution for the following year. (Counties do not receive any additional certified shares until January of the year following the rate increase and certified distribution.)

Combined CAGIT/CEDIT Rate

For CY 2001, the Wayne County projected County Economic Development Income Tax (CEDIT) rate is currently .25%. Under current Indiana law (with few exceptions), counties that impose CAGIT and CEDIT may not exceed a combined CAGIT/CEDIT rate of 1.25%. Wayne County would be allowed to adopt a combined rate of 1.5% until required to reduce its CAGIT in accordance with the provisions of this bill.

State Agencies Affected:

Local Agencies Affected: Wayne County.

Information Sources: State Budget Agency.